

A REPORT OF THE CSIS
DEFENSE AND NATIONAL
SECURITY GROUP

Defense in an Age of Austerity

CONFERENCE PROCEEDINGS, PRESENTATIONS,
AND KEY TAKEAWAYS

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Authors
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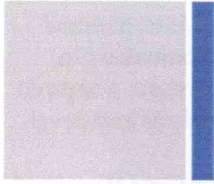
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Center for Strategic and International Studies
1800 K Street, N.W., Washington, D.C. 20006
Tel: (202) 887-0200
Fax: (202) 775-3199
Web: www.csis.org



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DEFENSE IN AN AGE OF AUSTERITY

CONFERENCE PROCEEDINGS, PRESENTATIONS,
AND KEY TAKEAWAYS

Overview

To comply with the Budget Control Act of 2011, the Department of Defense (DoD) will face a drawdown of uncertain magnitude. At a minimum, DoD will be forced to accept cuts of \$450 billion in the coming decade, and in the absence of any “grand bargain” on federal government spending reductions and tax increases, this figure could be far higher, with sequestration expected to add another \$500–\$600 billion in cuts.

Given the potential scale of this drawdown, it is vital for security experts to engage in a robust and candid public debate on the role of the United States in international affairs and how the U.S. military should be structured to best support this role. To facilitate such a debate, the Center for Strategic and International Studies (CSIS), with support from the Office of the Under Secretary of Defense for Policy, hosted a one-day conference¹ on September 29, 2011, that convened experts from across the ideological spectrum to deliberate the proper alignment of the “ends, ways, and means” of U.S. defense strategy in a fiscally constrained environment. This conference, *Defense in an Age of Austerity*, included three panels composed of prominent security and defense experts that addressed the formulation of U.S. defense strategy, as well as a fourth panel tasked with examining the impact of the defense drawdown on the domestic economy, the defense budget, and the defense-industrial base. In addition, former Secretary of Defense William Cohen delivered the keynote address (see Appendix A for agenda and Appendix B for biographies of panelists and keynote speaker).

In structuring this conference, CSIS sought to ensure the representation of a diverse set of perspectives that would reflect both the breadth and the depth of thinking on what is a critical question of national security. To this end, panelists were drawn from a broad range of backgrounds and organizations and asked to provide an explicit overview of the underlying assumptions and first principles that drive their respective policy positions. This exercise was intended to move panelists beyond the rhetoric that so often colors debates on national security and to encourage discussion of the specific implications, risks, and trade-offs involved in implementing these positions.

Dr. Clark A. Murdock, senior adviser and director of the CSIS Defense and National Security Group, served as moderator for all of the panels in order to ensure consistency and coherence across panels. Panelists were allowed ten minutes to deliver their presentations (see Appendix C for presentations by

¹ Transcript—prepared by Federal News Service—and full audio of the conference available at <http://csis.org/event/defense-age-austerity>.

panelists and keynote speaker).² Dr. Murdock then posed an initial set of questions designed to highlight points of agreement and disagreement on the panel, elicit further elaboration on policy details, and hold panelists accountable for the consequences of their proposals. This was followed by questions from conference attendees.

Like the panelists, attendees represented an array of backgrounds and organizations (see Appendix D for list of attendees). This group included about 80 defense and security analysts, as well as about 20 members of the attentive public, including representatives from industry, congressional staffs, and the media.

The methodological approach taken by the conference organizers appears to have been sound. Conference attendees gave very positive feedback about the high quality of the discussion, which was fueled by the energy and enthusiasm of the panelists. The panelists clearly enjoyed debating the issues with their counterparts, and the attendees seemed quite engaged in following the discussion and asking pertinent follow-up questions. Having a single moderator, who guided the subsequent discussion with clarifying questions, for all four panels seemed helpful in generating a genuine exchange between the panelists on key issues and in highlighting recurrent themes throughout the day.

That said, the conference was more successful in identifying areas of agreement, which were probably larger than most expected, and disagreement among the panelists than it was at getting presenters to “go beyond the rhetoric” and reveal the underlying assumptions and first principles that drive particular policy positions. In addition, areas of agreement (and disagreement, for that matter) often were expressed at a fairly general level of abstraction—for example, over goals of defense policy rather than the specific set of missions that DoD should pursue. There were important exceptions to this—including the discussion on the practicality of the counterinsurgency mission—but, by and large, the debate was over generalities. And while many panelists did cite specifics in their presentations (e.g., Peter Singer’s contention that the large investment in national missile defense has yielded very poor returns and should be terminated), such assertions were seldom challenged by other panelists.

Although the conference was organized according to the “ends” (goals), “ways” (missions and capabilities), and “means” (alternative forces structures) of defense policy, the debate, which seemed to persist throughout all of the panels, was really over which “ways” the Department of Defense could afford during the defense drawdown that was now under way. There seemed to be quite broad agreement on the “ends,” but some “ways” seemed too difficult or costly in a broad sense (e.g., counterinsurgency) or too costly in a narrow sense (e.g., ballistic missile defense) to be affordable. As a result, the analysis of the conference proceedings will be organized as follows:

- *Areas of general agreement*
 - Observations or assertions that all the panelists seemed to agree with or that no panelist expressed particular disagreement with.

² Briefs were drafted by the CSIS study team based on the panelists’ oral presentations and a review of the conference transcript. Panelists were then offered the opportunity to review CSIS characterizations of their remarks for accuracy. All subsequent analysis and assessment of the debate are solely our own.

- *Areas of considerable agreement*
 - Observations or assertions that most of the panelists seemed to support, but were opposed by at least a few of the panelists.
- *Areas of sharp disagreement*
 - Issues on which the panelists were clearly divided with substantial numbers taking opposing views.
- *Specific recommendations*
 - Based on the CSIS study team's analysis of the conference transcript and panelist presentations, this section summarizes the specific actions recommended by at least one of the panelists. No assessment will be made of the desirability of a particular recommendation. Our intent is merely to document the set of specific recommendations made at the September 29 event. This section will be organized as follows:
 - *Missions*: Which missions must be prepared for and which can be deemphasized?
 - *Force Structure*: Which forces must be retained and which can be reduced?
 - *Specific Weapons Systems*: Which systems must be procured and which are candidates for reduced buys or elimination?
- *Next Steps*
 - The CSIS study team's suggestions for how to build upon the *Defense in an Age of Austerity* conference.

Areas of General Agreement

- *The United States should remain engaged in the international system.*

Despite holding widely divergent views of appropriate missions for the U.S. military—and thus forms and levels of engagement—no panelist suggested that the United States should wholly withdraw from participation in the international system or, as William Cohen vividly put it, “retreat into a continental cocoon.” For example, while arguing that the United States should adopt a more restrained foreign policy that utilizes power only in defense of vital strategic interests, Christopher Preble maintained the importance of alliance relationships in deterring war and underscored the need to empower—rather than dispense with—allies.

Others who argued in support of a reduced military role took similar care to emphasize the persistent need for engagement. Frank Hoffman, who advocated a strategy of “forward partnership” based on the British model of offshore balancing, stressed that such a strategy would not entail disengagement from the international system or severance of alliance ties. Similarly, both Nate Freier and Gordon Adams, proponents of a more selective standard for the use of military power than is currently employed, highlighted the need to maintain a robust capacity for engagement in areas of strategic importance.

- *The U.S. military is well trained, very experienced, and extremely capable and, as such, is a versatile, adaptable strategic asset that must be preserved.*

Although several panelists noted that rising military and civilian personnel, health, and retirement costs pose real affordability issues—Todd Harrison noted that pay and benefits now compose 45 percent of the defense budget—no one questioned the strategic value to the United States of a highly capable and operationally ready military force, even though panelists differed on the size and shape of that force.

- *Current spending levels are unsustainable in the absence of either tax increases or trade-offs between defense and entitlements.*

No panelist argued that current spending levels can be maintained without either attendant increases in taxes or decreases in entitlements. Todd Harrison offered a representative view of the need to more actively manage the cost growth of personnel, stating that “military health care costs . . . [have] grown by 85 percent in real terms over the past decade” and cannot be allowed to continue to grow. Several panelists expressed a particular desire to address TRICARE co-pays and retirement benefits.

- *The defense drawdown has already begun; the debate is not over whether there should be one, but over the implications of the drawdown and how deep it should be.*

Even among those who, like Max Boot, believe that the United States should spend more on defense, or that the current defense program is not adequately resourced, there seemed to be agreement with Gordon Adams’ assertion that “we are in a build-down.” Steve Grundman noted that a recent Congressional Budget Office (CBO) study concluded that FY12–16 FYDP was underfunded by \$64 billion and that the DoD needed to spend an additional \$10 billion–\$25 billion per year to attain full funding; Tom Donnelly expressed similar concerns with regard to current military funding levels.³

- *Sequestration is a suboptimal tool for managing the defense drawdown; further reductions, if any, must be properly managed to hedge against future risk while also allowing industry the time to adapt to new demand signals.*

While there was disagreement over the likelihood that sequestration will be implemented (Gordon Adams predicted with 80 percent confidence that, given both the timing—following mid-term elections—and the history of sequestration, it will not be implemented), there was strong agreement that the sequestration trigger would negatively impact American defense planning, and no panelist expressed support for the use of sequestration as a management tool.

Panelists cited a variety of reasons for their opposition to the enactment of sequestration. Michael O’Hanlon, Max Boot, and Frank Hoffman specifically noted the deleterious effects of sequestration on strategic planning and force structure, though Hoffman did favorably note that the tool is “designed to be catastrophic to force people to have an honest conversation [about trade-offs].” James Carafano objected to sequestration on the grounds that deep cuts in the defense budget would merely mask underlying structural problems in the economy, while Steve Grundman cited the disproportionate

³ Congressional Budget Office, *Long-Term Implications of the 2012 Future Years Defense Program*, Pub. No. 4281, June 2001, http://www.cbo.gov/ftpdocs/122xx/doc12264/06-30-11_FYDP.pdf.

impact of fast reductions on investment accounts, procurement, and research, development, testing, and evaluation (RDT&E). Grundman additionally noted that inflexible assets and changing compositions of demand will profoundly complicate the ability of industry to successfully respond to fast reductions, a sentiment echoed by David Berreau, who expressed further concern for the continued health of second-, third-, and fourth-tier suppliers under such a scenario.

Areas of Considerable Agreement

- *Although there was some debate on how extensive U.S. requirements are for cyberspace and the extent to which such requirements are DoD's responsibility, as well as on how much responsibility the United States should bear for humanitarian needs, the definition provided by the 2010 Quadrennial Defense Review (QDR) Independent Panel of U.S. "enduring national interests"—defense of the homeland, assured access to sea, air, space, and cyberspace (the so-called Global Commons), preservation of a favorable balance of power across Eurasia, and providing for the global common good—received broad support as a minimum level of engagement.*

In the opening question to Panel 4 (“Alternative Affordable DoD Force Structures”), the moderator drew the panelists’ attention to Tom Donnelly’s “Sources of American Conduct” chart (below left) and Gordon Adams’ chart (below right) summarizing his recommendations for a “Leaner and Meaner Defense” and asked them whether (1) they agreed with the Donnelly chart and (2) if they believed that Adams’ recommended force was capable of securing those interests.

The image contains two side-by-side charts. The left chart, titled "Sources of American Conduct", is a text-based document with a small photo of William J. Perry and Stephen J. Hadley. The right chart, titled "A Leaner and Meaner Defense: How to Cut the Pentagon's Budget While Improving Its Performance," is a bulleted list of recommendations. Both charts are attributed to STIMSON.

Sources of American Conduct

"From the strategic habits and actual decisions of American presidents since 1945 — habits and decisions that have shown a remarkable degree of bipartisan consistency — we deduce four enduring national interests which will continue to transcend political differences and animate American policy in the future.

Those enduring national interests include:

- The **defense of the American homeland**
- Assured access to the **sea, air, space, and cyberspace**;
- The preservation of a **favorable balance of power across Eurasia** that prevents authoritarian domination of that region; and
- Providing for the **global common good** through such actions as humanitarian aid, development assistance, and disaster relief."

William J. Perry and Stephen J. Hadley on QDR Independent Panel House Armed Services Committee 29 July 2010

"A Leaner and Meaner Defense: How to Cut the Pentagon's Budget While Improving Its Performance," *Foreign Affairs*, (Jan/Feb 2011)

Prioritize missions and manage risk

- Emphasize combating Al Qaeda's central organization: cyber-security
- De-emphasize COIN, nation-building, building partner capacity
- Hedge for conventional missions to reflect high consequence but low probability

Align spending with strategy

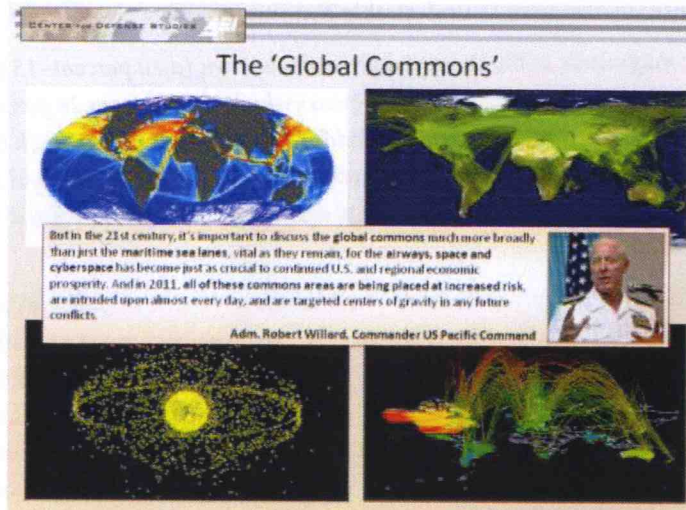
- End Strength: -82K ground buildup; -80K stationed overseas; -100K tooth-to-tail ratio
- Investment
 - Cancel JLENS, MEADS, EFV (ACV)
 - Delay 7 VA-class subs (FY12-15) & Substitute current-gen fighters for F-35
 - Halve BMD and Trim RDTE & minor procurement proportional to ES out
- Compensation and Benefits
 - Suspend cross-the-board pay increases for two years
 - Restore 1995 cost-sharing ratio for TRICARE & introduce small TFL fees
 - Expand retirement benefit eligibility using gradual vesting and later payouts
- Intelligence: Streamline duplication and better match collection & analysis

STIMSON

Somewhat surprisingly, all of the panelists—Gordon Adams, Rudy deLeon, Tom Donnelly, John Nagl and Peter Singer—indicated their support for how the bipartisan QDR panel, which was cochaired by Stephen J. Hadley and William J. Perry, characterized enduring U.S. interests (though Adams disputed the role of the military in securing some of these interests, as noted below).

A subsequent review of the transcript revealed that prior formulations of U.S. interests or goals were largely consistent with the Hadley-Perry formulation with a few exceptions. First, Gordon Adams expressed support for cyber security as a mission area, as called for by the Hadley-Perry formulation;

however, Adams noted in a follow-on comment that “cyber is largely not a military mission.” While Adams similarly offered support for maintaining “access to” the global commons, he objected to any stronger formulation arguing that providing for the “security of” the global commons is not and should not be a military mission. Referencing Tom Donnelly’s slide on the global commons (below), Adams noted that Internet security is “largely a private and commercial function” and that concerns regarding the security of the sea lanes “seem largely restricted to piracy off of the eastern Horn of Africa, and [areas] where there are choke points,” leaving limited circumstances in which a military role would be appropriate. Furthermore, he argued that both maritime and air commerce have been successfully managed through diplomatic mechanisms.



Second, there was some disagreement on the extent of U.S. responsibility for “providing for the global common good.” Although the issue of “humanitarian intervention” was not directly engaged by Panel 4, there was one earlier expression of strong opposition to the U.S. intervention in Libya: Christopher Preble argued that U.S. “vital” national interests were not at stake in Libya and that the commitment of U.S. military forces (even with the exclusion of ground forces) was not justified. There did, however, seem to be widespread support for using U.S. forces in humanitarian and disaster relief operations in permissive environments (such as the 2010 response to the Japanese tsunami).

Finally, Christopher Preble’s proposed strategy of restraint would seem to support a more limited role for the armed forces than that proposed by the QDR Independent Panel. Although he did not outline the specific mission set that he views as being vital to American security, Preble’s emphasis on “getting others to do more” could be read as a contrast to certain Hadley-Perry recommendations.

- *The set of missions often grouped under the rubric of “stability operations”—that is, counterinsurgency (COIN), economic reconstruction and development, security assistance, etc.—are*

very difficult to execute successfully and quite costly in the broadest sense (time, resources, casualties, etc.). As a result, they should be deemphasized in any case, but particularly in an era of tightening resource constraints.

Several panelists agreed that the U.S. intervention in Iraq has been a “strategic error” and that a less costly approach to Afghanistan is needed, largely because the costs of the current approach are exceeding the ability of the United States to sustain it. However, a few panelists, including Max Boot, expressed concern that the hard-won gains achieved in Iraq and Afghanistan could be lost by the inability of the United States to stay the course. Other panelists characterized COIN as a necessary evil. As Michael O’Hanlon put it, “you might not have an interest in [COIN], but it might have an interest in you,” and circumstances on the ground—particularly those involving transnational terrorism—may well demand future involvement in undesirable contingencies.

- *Although the magnitude of the current defense drawdown (a 10 percent–15 percent reduction over 10 years) is about half that of previous drawdowns (which ranged from 26 percent after Vietnam to 34 percent after the Cold War, according to Todd Harrison), reductions much beyond the \$400 billion–\$450 billion imposed immediately by the Budget Control Act of 2011 would significantly affect the ability of DoD to execute the current strategy and would require the United States to decide how and where “it would do less.”*

Although Max Boot was “deeply concerned” that the first tranche of defense cuts would undermine “U.S. primacy,” which has underwritten global peace and security, most panelists were more focused on the potential effects of additional defense cuts. However, panelists were divided on what those effects might be. Michael O’Hanlon, on one hand, believed that cuts beyond \$450 billion would jeopardize the ability of the United States to cope with the four “main problems,” which he identified as a rising China, a belligerent North Korea, an unstable Middle East, and an expansion of transnational terrorism, and would thus require a level of risk acceptance in defense planning. Gordon Adams, on the other hand, thought that a \$1 trillion defense drawdown could be absorbed with acceptable risk as the United States “align[ed] spending with strategy.”

- *Force structure reductions should be targeted rather than balanced. While the United States probably can reduce active duty ground forces given the reduced emphasis on “stability operations” missions, Air Force and Navy force structure should be preserved, if not enhanced.*

While the size of acceptable reductions varied by panelist, there was broad support for reducing active duty ground forces, generally to pre-9/11 levels; however, both Max Boot and Tom Donnelly specifically argued that current force strength must be maintained in order to safeguard vital national interests and preserve the stability of the international system. Among those who voiced support for some level of reductions, there was near consensus that the Navy and Air Force’s growing role in executing mission sets will justify higher prioritization in future defense budget decisions.